



KEY 4 Facilitator Guide

Understanding Your Income

JIM CASEY YOUTH OPPORTUNITIES INITIATIVE

THE ANNIE E. CASEY FOUNDATION

KEY 4 UNDERSTANDING YOUR INCOME

FACILITATOR GUIDE



Read the *Guide to Facilitating Keys to Your Financial Future* if you have not already done so. This important resource will provide you with information and tips to effectively and efficiently use this curriculum.

Introduction

This facilitator guide includes complete instructions for leading activities to provide a highly interactive training for young people. All instructions are next to their corresponding pages in the participant guide — instructions on the left and the participant guide on the right. The participant guide pages included in the facilitator guide have answers to activities and exercises — the answers are NOT included in the participant guides. This is meant to help you as a facilitator understand the range of answers that may come from participants and highlight answers that participants may not have considered.

Where you are prompted to provide information, use the text within the participant guide on the right side. The same information is NOT repeated in the instructions on the left side to keep the instructions as streamlined as possible with a focus on setting up, facilitating and processing activities.

Finally, you may be tempted to cut activities or small group work to save time and present the information instead. Avoid this. If you are pressed for time, cover less material in the key. Discussions, exercises and activities in pairs or small groups are more engaging and therefore, more effective.

Before the training:

Set up the room so small groups of participants are sitting around tables.

Make sure you have flipcharts or a whiteboard and the appropriate markers. Only use black, blue, brown, purple and dark green markers.

Review the facilitator guide. This includes reading the corresponding page in the participant guide.

Remember, most content is contained in the participant guide — the right side of this document.

Prepare/set up for specific activities using “Notes” in the facilitator guide.

Develop your own examples to augment information provided in the participant guide and facilitator guide.

Identify local resources where prompted so you can share and discuss them with the participants.

A young man and woman are smiling together. The woman is standing behind the man, her arms around his shoulders. She has long dark hair and is wearing a white top with a red and white patterned scarf. The man is sitting in front of her, wearing a dark blue and grey striped sweater. They are both looking towards the camera with warm smiles. The background is a plain, light-colored wall.

KEY 4 Participant Guide

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Introduction (continued)

List of training activities:

TRAINING METHOD	TOPIC	TIME ESTIMATE
Presentation	Welcome and Session Objectives	5 minutes
Facilitated Discussion	What Is Income?	5 minutes
Exercise in Pairs and Facilitated Discussion	How You Can Be Paid and Key Activity: How You Are Paid	10 minutes
Presentation	The Timing of Income	2 minutes
Facilitated Discussion	Ways to Receive Your Pay	8 minutes
Individual Activity	Key to Your Financial Future: Your Income Worksheet	5 minutes
Short Presentation and Exercise in Pairs	Understanding the Paycheck and Paycheck Stub and Key Activity: Reading a Paycheck and Paycheck Stub	15 minutes
Facilitated Discussion, Presentation and Large Group Activity	Income and Taxes	15 minutes
Presentation and Small Group Exercise	Tax Deductions and Credits and Key Activity: Anthony Claims Income Tax Deductions and Credits	7 minutes
Contest and Brainstorming	Increasing Income	7 minutes
Small Group Exercise (Optional)	Training and Education Pay and Key Activity: How Much Does Education Pay? (optional)	10 minutes
Presentation (Optional)	Training and Education Cost, Too (Optional)	7 minutes
Presentation (Optional)	Planning Your Career Path (Optional)	7–10 minutes
Brainstorm (Optional)	Career Research (Optional)	7–10 minutes
Individual Activity	Wrap Up: Understanding Your Income (Optional)	5 minutes
Closing	Key Information From This Section	2 minutes
Closing Activity (Optional)		5 minutes
TOTAL TIME ESTIMATE		Approx. 1 hour, not including optional activities

A young man and woman are smiling together. The woman is standing behind the man, her arms around his shoulders. She has long dark hair and is wearing a white top with a red and white patterned scarf. The man is sitting in front of her, wearing a dark blue and grey striped sweater. They are both looking towards the camera with warm, friendly expressions. The background is a plain, light-colored wall.

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PRESENTATION

Welcome and Session Objectives



- Welcome participants.
- Explain the following:
 - o ***Keys to Your Financial Future*** is designed to help you plan how to get, manage and use money now and in the future so you can have the life you envision for yourself.
 - o This fourth section of ***Keys to Your Financial Future*** is about receiving, understanding and managing your income.
 - o This key covers what income is, how you can be paid, ways to receive your pay, understanding your paycheck and paycheck stub, paying taxes, increasing income and optional content around planning your career path.
- Quickly orient participants to the contents in the key using the table of contents on page 2 of the participant guide.

Note: The term “key” is used instead of module or chapter throughout this curriculum.

- Explain the following:

We will be talking about many Key Concepts as a group, but we will also do some activities in pairs or small groups.

Working with a partner or in small groups will help keep this training more interesting and help you practice some of the ideas we are learning together.

Note: Before training, read through the facilitator guide and figure out how to identify the pairs and small groups for each activity. There is guidance with many of the activities, but you may want to think about: group dynamics — consider moving participants to different groups during the training improve the training environment; group size — if there are only five participants, breaking into small groups may not make sense but working with a partner may; and room arrangement — everyone around one table, participants seated around tables or participants sitting at desks. (Participants sitting at desks is not advisable but may be unavoidable depending on the resources you have in your community for training space.)

KEY 4

Understanding Your Income



“Understanding Your Income” is the fourth key in *Keys to Your Financial Future*, a financial capability curriculum for young people. This key covers what income is, how you can be paid, ways to receive your pay, understanding your paycheck and paycheck stub, paying taxes, increasing income and planning your career path.

What You’ll Find in This Key

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PRESENTATION (continued)

Welcome and Session Objectives

- Review the session objectives on page 3 of the participant guide — What You're Going to Know or Be Able to Do.

Note: Paraphrase them; don't read them.

What You're Going to Know or Be Able to Do

By the end of this section, you'll know or be able to do the following:

- ☐ **EXPLAIN** the different ways to get income.
- ☐ **DESCRIBE** the different ways you can be paid (receive income).
- ☐ **READ** a paycheck and paycheck stub.
- ☐ **COMPLETE** a W-4 and understand the reason for it and how it affects both take-home pay and how much income tax you have to pay.
- ☐ **UNDERSTAND** when to file an income tax return, generally how to file an income tax return and the information needed to complete an income tax return.
- ☐ **KNOW** where in the community to get good, no-cost help with filing taxes or when there are problems with tax payments/returns.



FACILITATED DISCUSSION

What Is Income?



ASK: *How have you earned income? How are you earning income now?*

- Write participant responses on a flipchart or whiteboard.
- Review the different places income can come from.



PART-TIME VS. FULL-TIME EMPLOYMENT

Part-time employment generally means working fewer than 35 hours. Full-time employment means working 35 hours or more.

This can be important. Some employers do not provide benefits such as health insurance, sick pay or paid time off to part-time employees.

TIME AND A HALF or OVERTIME

Some employees who work more than 40 hours within a week are entitled to overtime pay. This is time and a half or 1.5 times your gross pay rate.

For example, if you earned \$10.00/hour and worked 48 hours in a week, your gross pay would be:

$$\begin{array}{rcl} \$10.00 \times 40 \text{ hours} & = & \$400 \\ + \$15.00 \times 8 \text{ hours} & = & \$120 \\ & = & \$520 \end{array}$$

WHAT IS INCOME?

Income is any money you earn.

How have you earned income? OR How are you earning income now?

Answers will vary.

Income can come from many different places, including:

- + **Odd jobs** — watching a neighbor's pet while they are on vacation or babysitting.
- + **Part-time employment** — working at a restaurant, retail store or some other place for less than 35 hours per week.
- + **Full-time employment** — working at any number of places for 35 hours or more per week.
- + **Self-employment** — starting your own business and operating it part or full time.
- + **Contract employment (gig work)** — working on a temporary or short-term basis under contract, not as an employee.
- + **Public benefits** — receiving Supplemental Nutrition Assistance Program (SNAP) benefits (commonly called food stamps), housing subsidies, **Social Security, Supplemental Security Income** and other public assistance. You must apply and meet eligibility requirements to get these benefits.
- + **Child support** — getting income from the other parent of your child to support your child.
- + **Gifts** — receiving cash or gift cards from family or friends for your birthday, a holiday or other occasion.
- + **Tax refunds** — payment to you after filing taxes because of overpayment of **income tax** or due to **tax credits**.

How You Can Be Paid

There are different ways to be paid, and different laws protect you depending on how you are paid.



EXERCISE IN PAIRS AND FACILITATED DISCUSSION

How You Can Be Paid and Key Activity: How You Are Paid



- Instruct participants to work with a partner and to match how you can be paid with the description.
- Instruct them to write the letter for the answer in the middle column entitled “Description” and list two example jobs that get paid this way.
- Give participants 5 minutes to complete this activity.
- Review answers in a participatory way.
- Explain the reasons how you are paid matters.
- Review example related to an hourly employee.

ASK: *Do you know what minimum wage is?*

- After hearing answers from participants, share:
 - *The federal minimum wage is \$7.25 per hour. Some states have a higher minimum wage. The minimum wage in our state is: _____.*
 - *When the state has a higher minimum wage than the federal minimum wage, you have the right to the higher (state) minimum wage.*
- Review example related to a contract worker.
- Review Key Concept: Part-Time vs. Full-Time Employment on page 4.
- Review Key Concept: Time and a Half or Overtime on page 4. Be sure to write out the example on a flipchart or whiteboard as you explain the calculation.

SUMMARIZE/TRANSITION

- *We’ve looked at where income comes from as well as how you can be paid and why this matters.*
- *Now we’re going to look at the timing of income.*

KEY ACTIVITY

How You Are Paid

Match how you can be paid with the description. Then, think of two examples of jobs often paid in that way.

HOW YOU CAN BE PAID	DESCRIPTION	EXAMPLE JOBS
1. Salary	H	Answers will vary for all: Manager, teacher
2. Hourly	D	Fast-food restaurant worker, life guard, child care provider
3. Commission	A	Sales of all kinds, including clothing stores
4. Contract	F	Wide range; common in technology
5. Tips	B	Server in restaurant, driving a taxi or ride-share car
6. Under the table	C	Wide range, but often for odd jobs for people you know or when doing something illegal
7. Bonus	G	Wide range, including sales, managers
8. Business profits	E	Any kind of business you own

DESCRIPTIONS

- A. Money paid when you achieve a goal or a level of sales.
- B. Money paid for good service.
- C. Money paid in cash or **pre-paid cards** and not recorded or reported for tax purposes by the employer.
- D. Money paid based on the hours you work.
- E. Money from your business when your revenues are greater than your expenses (profits).
- F. Money paid to someone who works on a job or project — paid when part or all the work is completed.
- G. Money paid for excellent work — often at the end of the year.
- H. Money paid based on an annual total.

WHY DOES THIS MATTER?

How you are paid affects: 1) How you report income. 2) How you pay taxes. 3) The laws that protect you.

For example, if you are an hourly employee, your employer will:

- + Pay you at least the federal or state **minimum wage**. There are some exceptions to this.
- + Withhold federal, state and, in some cases, local taxes for you.
- + Contribute half of what you owe for **Social Security** and **Medicare**.
- + Pay you overtime or time and a half if you work more than 40 hours a week. There are some exceptions to this.
- + Pay **workers compensation** and **unemployment insurance** in case you are injured or become unemployed.
- + Pay other benefits such as sick leave, vacation leave and health insurance.
- + Send you a report of your earnings called a **W-2**. You use this to complete an **income tax return**.

If you are paid by contract, you are considered “self-employed.” In this case, the business hiring you will:

- + Pay the rate you and the business negotiate. There is no legal minimum.
- + Not withhold federal, state or local taxes for you. You must submit these taxes quarterly.
- + Not contribute half of what you owe for Social Security and Medicare. You must pay the full amount out of your earnings.
- + Not pay you overtime. You generally work until you’ve finished the job as negotiated.
- + Send you a report of the amount it paid you called a 1099. You use this to complete an income tax return.

PRESENTATION

The Timing of Income



- Review the difference between regular and irregular income.
- Discuss how irregular income makes budgeting more difficult.

SUMMARIZE/TRANSITION

- *In addition to the timing of income, the way you receive your pay can affect how you manage it.*

FACILITATED DISCUSSION

Ways to Receive Your Pay



ASK: *What are the different ways you can get income?*

- Write participant responses on a flipchart or whiteboard.
- Add the following if not mentioned:
 - o Cash
 - o Paper paycheck
 - o Direct deposit into a bank account or payroll card
 - o Through a mobile app
 - o Via electronic benefits transfer (EBT) card
- Review the Key Concept: Using a Payroll Card and related Key Right: Do I Have to Use a Payroll Card? These are very important concepts — be sure to provide time for questions.



USING A PAYROLL CARD

While direct deposit is often the best option for getting and managing your paycheck, a payroll card may be a good option if you don't or can't have an account at a bank or credit union. You can track your use of the card, fees and card balance by activating online or mobile features for the card.

If using a payroll card is an option with your employer, be sure to ask the following questions:

- What are the fees?
- Does the card have overdraft options? In most cases, you want to stay away from cards with these features. They often trap people in a cycle of debt.
- Can funds from a second job be loaded onto the payroll card?
- How will paycheck stubs or statements be provided?
- What are the provisions for a lost or stolen payroll card?
- Can an ex-employee still use the payroll card?

The Timing of Income

Managing income can be tricky if the amount of money changes every time you are paid. It can be even more challenging if the timing changes. Your income is regular if you are paid a salary or have a fixed number of hours you work every pay period, and you are paid weekly, biweekly or monthly. Your income is also regular if you are getting a public benefit such as **SNAP benefits**, cash assistance (**Temporary Assistance for Needy Families**) or Supplemental Security Income.

Your income is irregular if:

- + Your hours change. This can happen if you are a full-time or part-time worker.
- + Your payday is unpredictable.
- + You work seasonal or odd jobs.
- + You are self-employed.

Making a budget with irregular income is more difficult. Having irregular income may require you to build savings so you can cover expenses during the weeks or months you have less or even no income.

Ways to Receive Your Pay

The way you get your pay can affect how you manage it. **What are the different ways you can get income?**

Answers will vary.

When you work odd jobs, you will often be paid with cash, personal check or online or via mobile app like PayPal, Venmo or Zelle by the person who hired you. When you have a job, you may get your pay in cash, in a paycheck, through direct deposit or on a payroll card. When you run your own business, you may receive cash, checks or even credit card payments from customers. Public benefits vary depending on what program you are using. SNAP benefits, for example, have an electronic benefits transfer (EBT) card that works like a debit card.

KEY RIGHT

Do You Have to Use a Payroll Card?

Your employer cannot require you to get your pay on a payroll card. Employers must provide at least one alternative.

Some employers will give you a choice between direct deposit to a payroll card, direct deposit into your bank account or a paper check. Others may only give you a choice between

direct deposit to your own bank account or a prepaid card you choose, or a payroll card.

State law says what choices an employer must give you. In some states, employers are required to get your written consent before paying you with a payroll card.

Source: Consumer Financial Protection Bureau

FACILITATED DISCUSSION (continued)

Ways to Receive Your Pay

- Review the three ways to receive a paycheck using the information from the participant guide.
- Explain direct deposit using the Key Concept: Using Direct Deposit.

When it comes to receiving a paycheck, you may have three options:

OPTION 1: PAPER PAYCHECK

When you work for someone, you will get a paycheck. There are three basic ways to cash a paycheck:

- + If you have an account at a bank or credit union, you can cash it. Or deposit it into an account and make a withdrawal for cash.
- + You can take the check to your employer's bank. The bank's name will be printed on your paycheck.
- + You can go to a check-cashing business, a supermarket or other retail business that cashes checks. You will a pay fee for this service (typically \$3 to \$6 per check).

Your paycheck will be attached to a paycheck stub. This has the information about your paycheck. Keep your paycheck stubs to help develop a budget, show proof of income and prepare taxes.

OPTION 2: DIRECT DEPOSIT

With **direct deposit**, your net pay is electronically transferred into your account on payday. You can use these funds immediately. Net pay is the amount you take home after taxes and other deductions have been taken out.

You can have your entire paycheck directly deposited into your checking account. You can then have a fixed amount automatically transferred to a savings account to help you build savings. This is the easiest way to save.

With direct deposit you must make sure you understand the rules of your account — fees, minimum balance requirements and using the debit card or ATM card attached to the account.

You will still receive a paycheck stub with direct deposit. Your bank statement will also record all your direct deposits.

OPTION 3: PAYROLL CARD

Payroll cards are sometimes called *payroll debit cards* or *pay cards*. Some employers will put your net pay on a reloadable debit card. You do not need a bank account to get your pay this way. You can use this card to make purchases and make withdrawals from ATMs until the balance on the card reaches zero.

Most payroll debit cards are branded with a VISA, MasterCard, Discover or American Express logo. They are not credit cards, though. This just tells you what network is used to make payments.

Like direct deposit, you will have access to your pay right away, you will save time (you won't have to cash a check) and you won't have to pay fees to cash your check. You will get a paycheck stub or payroll card statement for your records. Payroll cards, however, may have other fees. Before you opt for a payroll card, understand the fees you may be charged.

Remember, your employer cannot require you to get your pay on a payroll card. They must provide at least one alternative.



USING DIRECT DEPOSIT

If you get a regular paycheck, consider direct deposit. Direct deposit will save you time and money. When you use direct deposit, you will have access to your money right away. Direct deposit can also help you save money for your goals.

There may be times when direct deposit may not make sense:

- If you cannot get a bank account.
- If you risk money deposited into an account being garnished for unpaid debts such as student loans or child support. (Garnished means that the money can be legally taken to pay for a debt you owe.)

INDIVIDUAL ACTIVITY

Key to Your Financial Future: Your Income Worksheet



- Review how to complete this worksheet.
- Explain the following:
 - o Understanding how much you get, when you get paid, whether it's regular or irregular and the way you are paid can help you better plan your use of income.
 - o You may not have any income right now. Or you may have several sources.
 - o Be sure to look at source documents to get accurate amounts for your income, including:
 - your paycheck; and
 - your statement of benefits.
 - o Add up each column to get weekly totals.
 - o Add the weekly totals to get a monthly total.

SUMMARIZE/TRANSITION

- *You've learned a lot about income already, but now you're going to learn how to read and understand the information on your paycheck or paycheck stub (sometimes called a pay statement or statement of earnings).*



Key to Your Financial Future: Your Income Worksheet

Use this worksheet to track your income for one month. You can use this to help build your budget.

INCOME	WEEK 1	WEEK 2	WEEK 3	WEEK 4	WEEK 5	TIMING	WAY YOU ARE PAID (circle one)
Odd jobs						<input type="checkbox"/> Regular <input type="checkbox"/> Irregular	Cash, Check, Direct Deposit, Payroll Card, EBT, Online/Mobile
Full-time job						<input type="checkbox"/> Regular <input type="checkbox"/> Irregular	Cash, Check, Direct Deposit, Payroll Card, EBT, Online/Mobile
Part-time job						<input type="checkbox"/> Regular <input type="checkbox"/> Irregular	Cash, Check, Direct Deposit, Payroll Card, EBT, Online/Mobile
Self-employment						<input type="checkbox"/> Regular <input type="checkbox"/> Irregular	Cash, Check, Direct Deposit, Payroll Card, EBT, Online/Mobile
Contracts/Gigs						<input type="checkbox"/> Regular <input type="checkbox"/> Irregular	Cash, Check, Direct Deposit, Payroll Card, EBT, Online/Mobile
Benefit (SNAP, TANF, Medicaid, SSI, etc.)						<input type="checkbox"/> Regular <input type="checkbox"/> Irregular	Cash, Check, Direct Deposit, Payroll Card, EBT, Online/Mobile
Benefit (SNAP, TANF, Medicaid, SSI, etc.)						<input type="checkbox"/> Regular <input type="checkbox"/> Irregular	Cash, Check, Direct Deposit, Payroll Card, EBT, Online/Mobile
Benefit (SNAP, TANF, Medicaid, SSI, etc.)						<input type="checkbox"/> Regular <input type="checkbox"/> Irregular	Cash, Check, Direct Deposit, Payroll Card, EBT, Online/Mobile
Stipend						<input type="checkbox"/> Regular <input type="checkbox"/> Irregular	Cash, Check, Direct Deposit, Payroll Card, EBT, Online/Mobile
Child support						<input type="checkbox"/> Regular <input type="checkbox"/> Irregular	Cash, Check, Direct Deposit, Payroll Card, EBT, Online/Mobile
Gifts						<input type="checkbox"/> Regular <input type="checkbox"/> Irregular	Cash, Check, Direct Deposit, Payroll Card, EBT, Online/Mobile
Tax refund						<input type="checkbox"/> Regular <input type="checkbox"/> Irregular	Cash, Check, Direct Deposit, Payroll Card, EBT, Online/Mobile
Other						<input type="checkbox"/> Regular <input type="checkbox"/> Irregular	Cash, Check, Direct Deposit, Payroll Card, EBT, Online/Mobile
WEEKLY TOTAL						MONTHLY TOTAL	

SHORT PRESENTATION AND EXERCISE IN PAIRS

Understanding the Paycheck and Paycheck Stub and Key Activity: Reading a Paycheck and Paycheck Stub



- Review Key Concept: Gross Pay vs. Net Pay.
- Review deductions.
- Explain that understanding your paycheck is a key to managing income.
- Ask for a volunteer to read the scenario about Julius in the Key Activity: Reading a Paycheck and Paycheck Stub.
- Instruct participants to work with a partner to answer the questions on page 10 of the participant guide using the information in the paycheck stub and paycheck.

Note: Not all states or local tax jurisdictions collect personal income tax. While this example includes withholding for both, it's important to know how this is done in your city and state so you can explain how it works locally. This can be explained before or after the young people complete this activity.

Remember, this and other examples included throughout the curriculum represent what is typical, but there are always exceptions. For example, only nine states do not collect personal income tax.

- After 5–7 minutes, review the answers in a participatory way.

Understanding the Paycheck and Paycheck Stub

When you get a paycheck, it will be attached to a paycheck stub. There is a lot of information on a paycheck stub.

It includes your **gross pay** — your total earnings. It also includes your **net pay** — the amount you take home.

What is the difference between your gross pay and net pay? Deductions. **Deductions** are items your employer takes out of your paycheck. Some are deductions for taxes — federal, state and local. Some states, cities and towns do not collect personal income tax. Some deductions are for Medicare and Social Security called FICA (Federal Insurance Contributions Act). Some deductions are for benefits like health insurance or retirement. Paycheck stubs include information about deductions and benefits.

You will also use your paycheck stub to show proof of income and check your wage-earning statements (W-2) at the end of the year. **Understanding your paycheck is a key to managing your income.**

KEY ACTIVITY

Reading a Paycheck and Paycheck Stub

Julius has recently been hired. After completing lifeguard training, he will be able to work all year at the Community Center because it has an indoor pool. He's excited to have a regular paycheck. He will be able to work 25 to 30 hours each week while completing his final year of high school.

But he's never had a paycheck before. Use the paycheck and paycheck stub to help Julius understand how much he makes (gross pay), how much he takes home (net pay) and other benefits of his employment.

Community Center						Check No.: 30495		
Employee Name: Julius Johnson						Employee #: 0185		
Social Security #: 400-31-0086						Period Beginning: 9/1/2020		Period Ending: 9/15/2020
Earnings						Required Deductions		
	Current			Year-to-Date			Current	Year-to-Date
	Rate	Hours	Earnings	Hours	Earnings	Federal Withholding	\$46.13	\$115.33
Regular Earnings	\$10.75	57	\$612.75	142.50	\$1,531.88	FICA - Social Security	\$36.44	\$91.10
Overtime Earnings	\$16.13	0	0	0	0	FICA - Medicare	\$8.52	\$21.30
Sick Leave Balance	0	0	0	0	0	State Withholding	\$10.00	\$25.00
Annual Leave	0	0	0	0	0	Local Withholding	\$7.50	\$18.75
						Total Required Deductions	\$108.59	\$274.48
						Other Deductions		
						Parking	\$12.50	\$31.25
						Retirement (403b)	\$30.64	\$76.60
						Total Other Deductions	\$43.14	\$107.85
						NET PAY	\$460.99	\$1,152.55



GROSS PAY vs. NET PAY

$$\text{Gross Pay} - \text{Deductions} = \text{Net Pay}$$

Gross pay is what you make.
Net pay is what you take home.



SHORT PRESENTATION AND EXERCISE IN PAIRS (continued)

Understanding the Paycheck and Paycheck Stub and

Key Activity: Reading a Paycheck and Paycheck Stub

Community Center
1234 Main Street
Downtown, USA 98751

30495

Date: 9/15/2020

Pay: Four hundred sixty and 99/100 Dollars

Amount: \$460.99

To the
Order of: Julius Johnson

Downtown Credit Union

56799 948 978462

Maria Estez

Maria Estez, CEO

1. What is the gross pay?

\$612.75

2. What is the net pay?

\$460.99

3. Which amount should Julius use in creating a budget? Why?

\$460.99. This is the amount he actually has either in cash because he has cashed his check or in his account if he deposits it.

4. How much does he make per hour? For overtime?

\$10.75 per hour
\$16.13 per hour for overtime

5. How many hours did he work this pay period?

57 hours

6. How much gross pay has he earned this year?

\$1,531.88

7. How much does he have taken out of his paycheck for withholding for taxes for this period?

\$63.63

8. How much does he have taken out of his paycheck for Social Security and Medicare for this period?

\$44.96

9. What benefits are deducted from his paycheck?

Parking and retirement

10. Why do you think the sick and annual leave balances are "0"?

He has been hired as a part-time worker and is not entitled to these benefits.

If you have a job, review your pay stub when you get home. See if you can identify all your deductions, including your benefits.

KEY RESOURCE

GETTING HELP TO UNDERSTAND YOUR PAYCHECK

If you are unsure about the information in your paycheck or paycheck stub, meet with your employer. Ask your supervisor or someone in the human resources department for help. This person can also help make sure you are getting all the benefits your workplace has to offer.

Name and contact info: _____

FACILITATED DISCUSSION, PRESENTATION AND LARGE GROUP EXERCISE

Income and Taxes



- Explain that income you earn is taxed by the federal government and may be taxed by state or local governments.

Note: Not all state or local governments tax income. Those that don't often rely more heavily on property or sales taxes.

ASK: *How does government use this revenue?*

- Write participant responses on a flipchart or whiteboard.
- Consider differentiating what is paid by federal income tax vs. state or local. Cover just a few examples. Note that some things, like public education, may be supported by all three — federal, state and local taxes.

ASK: *How is an employer taking money out of your paycheck a benefit to you?*

- Write participant responses on a flipchart or whiteboard.

INCOME AND TAXES

Income that you earn is taxed. Tax is how governments make revenue. Revenue is another word for income.

How does government use this revenue?

Responses will vary, but may include:

- public education
- defense/military
- courts
- airports and air traffic control
- consumer protection — making sure toasters work like they should, drinking water is clean, cars are safe, financial products and services are fair, etc.
- parks and other national monuments and natural resources
- roads
- bridges
- health care — Medicare/Medicaid
- national debt
- veteran's benefits
- job training
- law enforcement
- safety — fire and ambulance service as well as 911 system
- international aid
- space program
- scientific research
- arts funding
- drinking water

If you work for an employer, you probably have part of your income withheld for federal, state and, in some cases, local income taxes. This is a benefit. **How is an employer taking money out of your paycheck a benefit to you?**

Possible answers include:

- You don't have to make these payments yourself (like a self-employed person or contractor must).
- You avoid fines — if you are late with payments or do not pay enough on time, you may have to pay additional fines.
- The employer pays half of what you would owe for Social Security and Medicare (FICA).

When you are hired, you will be asked to complete a W-4 form. This tells the employer how much to withhold from your taxes.

----- Separate here and give Form W-4 to your employer. Keep the worksheet(s) for your records. -----

Form W-4 Department of the Treasury Internal Revenue Service		Employee's Withholding Allowance Certificate ▶ Whether you're entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.		OMB No. 1545-0074 2018	
1 Your first name and middle initial Julius K		Last name Johnson		2 Your social security number 400-31-0086	
Home address (number and street or rural route) 9876 Second Street		3 <input checked="" type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note: If married filing separately, check "Married, but withhold at higher Single rate."			
City or town, state, and ZIP code Downtown, USA 98751		4 If your last name differs from that shown on your social security card, check here. You must call 800-772-1213 for a replacement card. ▶ <input type="checkbox"/>			
5 Total number of allowances you're claiming (from the applicable worksheet on the following pages)				5 2	
6 Additional amount, if any, you want withheld from each paycheck				6 \$ 0	
7 I claim exemption from withholding for 2018, and I certify that I meet both of the following conditions for exemption. <ul style="list-style-type: none"> • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here ▶ 7					
Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.					
Employee's signature (This form is not valid unless you sign it.) ▶					
8 Employer's name and address (Employer: Complete boxes 8 and 10 if sending to IRS and complete boxes 8, 9, and 10 if sending to State Directory of New Hires.) Community Center 1234 Main Street, Downtown, USA 98751				9 First date of employment 8/1/18 X	
				10 Employer identification number (EIN) 10-5555555	

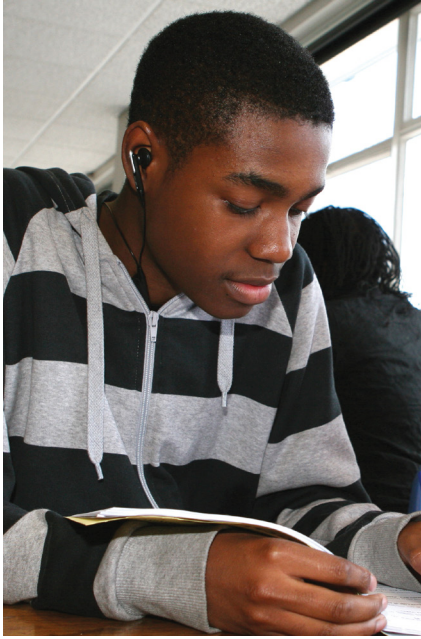
For Privacy Act and Paperwork Reduction Act Notice, see page 4. Cat. No. 10220Q Form **W-4** (2018)

This form causes confusion. People often wonder: *How many allowances should I claim on line 5?*

FACILITATED DISCUSSION, PRESENTATION AND LARGE GROUP EXERCISE (continued)

Income and Taxes

- Review the W-4 form on page 11.
- Explain that this form tells an employer how much income to withhold to pay your income taxes.
- Refer to the withholding on Julius's paycheck stub on page 9.
- Remind participants that withholding is what the employer deducts from a paycheck to cover income taxes. This prevents people from having to save money on their own to pay their taxes.
- Explain that this form causes confusion.
- Explain the more exemptions claimed, the less federal income tax the employer will deduct and withhold. Less federal income tax withheld means more take-home pay.
- Review the rules for claiming exemptions on page 12.
- Together, answer the questions related to Julius's W-4 form.
- Ask each question and ask participants for the answers.
- Explain that people who work for themselves or under contract must make sure they are saving some of their income throughout the year and sending these payments by specific dates (four times per year — April 15 for first-quarter earnings, June 15 for second-quarter earnings, September 15 for third-quarter earnings and January 15 for fourth-quarter earnings) so they don't end up owing taxes and possibly fines.



The more **exemptions** you claim, the less federal income tax will be withheld. The fewer exemptions you claim, the more federal income tax will be withheld.

You can claim the following exemptions if they apply to you:

- + one for yourself;
- + one if you are single and have only one job, married and spouse does not work or total wages from a second job are \$1,500 or less;
- + one for your spouse;
- + one for each dependent (A dependent is someone that relies on you for financial support. If you have primary custody of your child, you can claim that child as a dependent);
- + one if you are filing as head of household; and
- + one if you have at least \$2,000 of child or dependent care expenses you plan to claim as a credit.

Why did Julius claim two exemptions?

One for himself and one because he is single and has only one job.

Also because it will mean a little more take-home pay (less will be withheld).

What would happen to Julius's take-home pay if he claimed "0"?

More income would be withheld. He could get a tax refund due to withholding more than the taxes he owed.

If he claims "0," what is the biggest risk?

Less money in his budget now. Lost opportunity to use the money withheld. On the other hand, he will not likely owe any income tax.

If you earn income, you must pay **income taxes**. If you don't pay a little bit from each paycheck, you may owe a lot of money on April 15. April 15 is the date tax returns and payments are due to federal, state and local governments. You pay income tax on earnings from the previous year.

People who work for themselves must make sure they are withholding part of their earnings and sending these to the federal government throughout the year.

Each year, you will get a statement of the amount you earned. This is the primary information you need to complete a tax return.

FACILITATED DISCUSSION, PRESENTATION AND LARGE GROUP EXERCISE (continued)

Income and Taxes

- Another important tax document is the W-2 form. This is the Wage and Tax Statement. Employers must prepare and mail these for their employees by January 31 each year.
- This statement shows:
 - o The amount earned.
 - o The amount subject to Social Security taxes. (The maximum amount subject to Social Security taxes currently is \$128,400. Any money earned above that threshold is not subject to Social Security tax.)
 - o The amount subject to Medicare tax. (There is no maximum.)
 - o The amount of tax withheld.
- This statement can be compared against all the pay stubs or pay statements throughout the year for accuracy.
- This statement is used to complete your income tax return.
- Explain the following:
 - o If someone is a contractor, they will receive a 1099 form from the companies they had contracts with, which:
 - shows how much the business paid the contractor; and
 - is important because the contractor uses this form to complete his or her income tax return and the business uses it to deduct the payments made to the contractor as a business expense.
 - o The Internal Revenue Service, more commonly called the IRS, collects taxes on behalf of the federal government.
 - o At tax time, people complete a form 1040 to figure out how much tax they owe. This is the income tax return.
 - o If enough tax was withheld, the individual shouldn't have to make any more payments.
 - o Many people can submit the 1040EZ form, which is much shorter.
 - o There are many other tax forms for specific circumstances — business earnings, interest paid on mortgages and child and dependent care expenses.

If you are an employee, you will receive a W-2 form.

22222		a Employee's social security number 555-12-3456		OMB No. 1545-0008	
b Employer identification number (EIN) 55-9876543		1 Wages, tips, other compensation 9,672.00		2 Federal income tax withheld 745.00	
c Employer's name, address, and ZIP code ABC COMPANY 1234 MAIN STREET ANYTOWN, UT 84555		3 Social security wages 9,672.00		4 Social security tax withheld 599.66	
		5 Medicare wages and tips 9,672.00		6 Medicare tax withheld 140.24	
		7 Social security tips		8 Allocated tips	
d Control number		9		10 Dependent care benefits	
e Employee's first name and initial JOHN J. TAXPAYER		11 Nonqualified plans		12a	
900 N 500 W MY TOWN, UT 84555		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
		14 Other		12c	
				12d	
f Employee's address and ZIP code		15 State wages, tips, etc. 9,672.00		16 State income tax 336.20	
15 State UT		16 State wages, tips, etc. 9,672.00		17 State income tax 336.20	
16 State wages, tips, etc. 9,672.00		17 State income tax 336.20		18 Local wages, tips, etc.	
				19 Local income tax	
				20 Locality name	

W-2 Wage and Tax Statement
Copy 1 - For State, City, or Local Tax Department

Department of the Treasury - Internal Revenue Service

State ID (must be UT)
State ID Number
14 characters, ending in "WTH"

Utah Taxes Withheld

Source: Utah State Tax Commission

If you are employed as a contractor, you will get a 1099 form.

☐ VOID ☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. Computer Fix It Station 4321 First Street Big City, USA 09876		1 Rents \$		OMB No. 1545-0115 2018		Miscellaneous Income	
PAYER'S TIN 18-9876543		2 Royalties \$		Form 1099-MISC			
RECIPIENT'S TIN 500-30-5516		3 Other income \$		4 Federal income tax withheld \$		Copy 1 For State Tax Department	
RECIPIENT'S name Lula Davis		5 Fishing boat proceeds \$		6 Medical and health care payments \$			
Street address (including apt. no.) 135 Angle Avenue		7 Nonemployee compensation \$ 5,680		8 Substitute payments in lieu of dividends or interest \$			
City or town, state or province, country, and ZIP or foreign postal code Big City, USA 09875		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>		10 Crop insurance proceeds \$			
Account number (see instructions)		11		12			
FATCA filing requirement <input type="checkbox"/>		13 Excess golden parachute payments \$		14 Gross proceeds paid to an attorney \$			
15a Section 409A deferrals \$		15b Section 409A income \$		16 State tax withheld \$		17 State/Payer's state no.	
						18 State income \$	

Form 1099-MISC

www.irs.gov/Form1099MISC

Department of the Treasury - Internal Revenue Service

FACILITATED DISCUSSION, PRESENTATION AND LARGE GROUP EXERCISE (continued)

Income and Taxes

- Review the information on page 14 about being paid “under the table” and explain the importance of keeping records for taxes and Social Security.
- Explain free tax preparation help using the Key Resource: Free Tax Preparation Help and complete local information on Volunteer Income Tax Assistance sites in your community.

Note: Before the training, be sure to look up information about free tax preparation help and VITA sites in your area so you can help participants complete the Key Resource: Free Tax Preparation Help.

- Explain Key Concept: Income Tax Refund.

Note: There are many forms discussed in this section. Consider printing out these forms in advance of training so participants can look at them. They are available at www.irs.gov.

KEY RESOURCE

FREE TAX PREPARATION HELP

You may notice businesses in your community that complete tax refunds for a fee. But, you can get trustworthy help in the community for free.

Visit a Volunteer Income Tax Assistance program. The volunteers are trained by the IRS.

You can find a free tax preparation site in your community by visiting <https://irs.treasury.gov/freetaxprep>.

Name and contact information for tax preparation site:

Hours and services available:



INCOME TAX REFUND

An income tax refund is a payment to you for money you have overpaid for taxes.

You can get your refund sent to you as a check or directly deposited into your checking account.

If you do odd jobs or receive cash for your work, your earnings are probably not being reported for tax purposes. This is called being paid “under the table” because no one sees it. This means neither you nor your employer are paying taxes on your earnings.

This may sound good, except for the following reasons:

- + It is illegal in most cases.
- + You have a legal obligation to report your earnings and file taxes. You may run into trouble with the IRS and end up paying penalties as well as interest on the amount of taxes you should have paid but didn't.
- + You are ineligible to receive worker's compensation — payments to cover medical expenses and time off if you get hurt on the job.
- + You are ineligible to get unemployment if you get laid off, any other benefits or overtime pay.
- + You have no legal rights under state or federal employment laws.

You are also not earning points for Social Security. This could mean getting a smaller Social Security check when you retire. Keep your own record of earnings — dates paid, amounts and for what kinds of work. When you file taxes, you will complete Schedule SE (self-employment) in addition to a 1040 form.

Otherwise, you will use the W-2 or **1099** to fill out your income tax return and figure out how much tax you owe. You will use the 1040 form from the **Internal Revenue Service (IRS)**. Many people can complete the short form called the 1040 EZ.

There are other tax forms for special circumstances, including:

- + business earnings;
- + interest you pay on a mortgage (you may get a deduction for this); and
- + **child and dependent care expenses.**

There are also special publications with instructions to help you complete sections of the 1040 that may apply to you. These are all available on the IRS website at www.irs.gov.



Employers or businesses must send completed W-2 and 1099 forms to employees or contractors by January 31. This means, you can generally complete your tax return starting in February rather than waiting until April 15.

All the money the employer withheld for you counts toward the amount of income tax you owe for the year. Often, when working for an employer, enough will have been withheld throughout the year. If not, you will have to pay what you owe by April 15 to avoid penalties and interest.

FACILITATED DISCUSSION, PRESENTATION AND LARGE GROUP EXERCISE (continued)

Income and Taxes

- Explain Key Concept: Refund Anticipation Loans.

PRESENTATION AND SMALL GROUP EXERCISE

Tax Deductions and Credits and Key Activity: Anthony Claims Income Tax Deductions and Credits



7
minutes

- Define and differentiate tax deduction and tax credit.
- Review Key Right: Earned Income Tax Credit that is on the bottom of page 15.

Sometimes, too much is withheld for income taxes. In this case, you may get an income tax refund.

You can get paper copies of the tax return you need to complete and send it through the mail. You can also complete your tax return electronically and e-file. When you e-file, you are likely to get your income tax refund (if you have overpaid) within 21 days.

TAX DEDUCTIONS AND CREDITS

Tax deductions allow you to reduce your taxable income. The higher your deductions, the lower the amount of income that will be taxed. This means you will pay less tax. You can claim the **standard deduction** (a set amount) or **itemized deductions** (a list of specific deductions).

Tax credits reduce the amount of the tax you owe.



REFUND ANTICIPATION LOANS

Some tax preparers will offer you a loan for the amount they estimate you will receive for a tax refund. When the refund comes in, they keep it to pay off the loan.

This might sound like a good deal, but you will pay fees for this, and you usually will not have to wait more than three weeks (or even sooner if you e-file) for your tax refund. Also, if the tax refund is lower than the amount estimated, you will owe the company that provided you this loan even more money.

Be careful about any offer for a "Refund Anticipation Loan."

KEY RIGHT Earned Income Tax Credit

The Earned Income Tax Credit gives working individuals and families extra income. It is a refundable tax credit. This means that you can get the money in a refund even if the tax you owe is zero.

For example, a parent with one child, earning \$29,000, could receive a refund of up to \$3,400 even if she or he owed no taxes. For individuals without children, the maximum EITC is \$519.

This \$3,400 could be used to build savings, pay off debt and more. The key to making the most of the EITC is planning before you get the refund. You must also submit a tax return to get the refund.

The income to qualify and amount of the credit changes. For the most up-to-date information, visit www.irs.gov/credits-deductions/individuals/earned-income-tax-credit.



PRESENTATION AND SMALL GROUP EXERCISE (continued)

Tax Deductions and Credits and Key Activity: Anthony Claims Income Tax Deductions and Credits

- Instruct participants to work in small groups to complete Key Activity: Anthony Claims Income Tax Deductions and Credits.
- After 5 minutes, review the answers.

BACKGROUND FOR FACILITATOR — do not read.

- Most taxpayers have a choice of either taking a standard deduction or itemizing their deductions.
- Most people use the method that results in the lower tax.
- The standard deduction is a dollar amount that reduces the income that can be taxed.
- For single people or married people filing separately, the standard deduction is \$12,000 (2018 tax year).
- For married people filing jointly, the deduction is \$24,000 (2018 tax year).
- It is a benefit that eliminates the need for many taxpayers to itemize actual deductions, such as medical expenses, charitable contributions and taxes, on Schedule A (Form 1040).
- It is only worth itemizing deductions if they add up to more than \$12,000.

Source: IRS

CONTEST AND BRAINSTORMING

Increasing Income



- Ask participants to work in small groups.
- Instruct them to think of as many ways as they can to increase income.
- After 2 minutes, find out which team had the most ideas.
- Give them a simple reward for winning.
- Review the list with the full group.
- Ask other groups if they have ideas they want to share that have not been mentioned.
- While reviewing each idea, decide if it is a short-term strategy for increasing income or a long-term strategy.

SUMMARIZE/TRANSITION

- *One medium- to long-term strategy to increasing income is to get more education and training.*

KEY ACTIVITY

Anthony Claims Income Tax Deductions and Credits

Read the following example to understand how tax deductions and credits work.

Anthony is single and doesn't have any children or dependents. His income last year was \$14,500. He decided to take the standard deduction of \$12,000.

What is Anthony's taxable income after subtracting the standard deduction?

$$\$14,500 - \$12,000 = \underline{\$2,500} \text{ (This is the amount Anthony will pay taxes on.)}$$

To find out how much tax he owes, he would multiply his **taxable income** by his tax rate. Tax brackets are ranges of income. Each range has its own tax rate. Anthony's tax rate is 10%.

$$\underline{\$2,500} \text{ (taxable income)} \times 10\% = \underline{\$250} \text{ (income tax owed)}$$

Because of his income, he qualifies for the Earned Income Tax Credit (EITC). Subtract the EITC amount from his taxable income. If the answer is a negative number, this is the amount of his tax refund.

$$\underline{\$250} \text{ (tax owed)} - \$519 = \underline{-\$269} \text{ (income tax owed or tax refund amount)}$$

Because the earned income tax credit is refundable, he would get a tax refund of \$269.

INCREASING INCOME

You may find you want to earn more now or in the future. **What are ways to increase income?**

SHORT-TERM STRATEGIES	LONG-TERM STRATEGIES
Answers will vary, but may include: <ul style="list-style-type: none">• Sell something on eBay• Have a yard or garage sale• Get a part-time job• Find odd jobs to do: pet sit, babysit, etc.• Run errands• Drive for a ride-sharing business (if you have a car, license and insurance)• Apply for public benefits• Sell items you make on Etsy	Answers will vary, but may include: <ul style="list-style-type: none">• If working, ask for a raise• If working, ask for help in getting the training or education needed to advance within the business to earn more• Get a certificate or degree (more training or education)• Start a business

One key way to increase income is to get more education and training.

SMALL GROUP EXERCISE (optional)

Training and Education Pay and Key Activity: How Much Does Education Pay?



- Instruct the participants to answer the questions on pages 17 and 18 based on the chart at the top of page 17.
- Provide groups 5 minutes to complete.
- Review the answers in a participatory way.
- Ask participants if they have any more thoughts or observations about the information in the table.

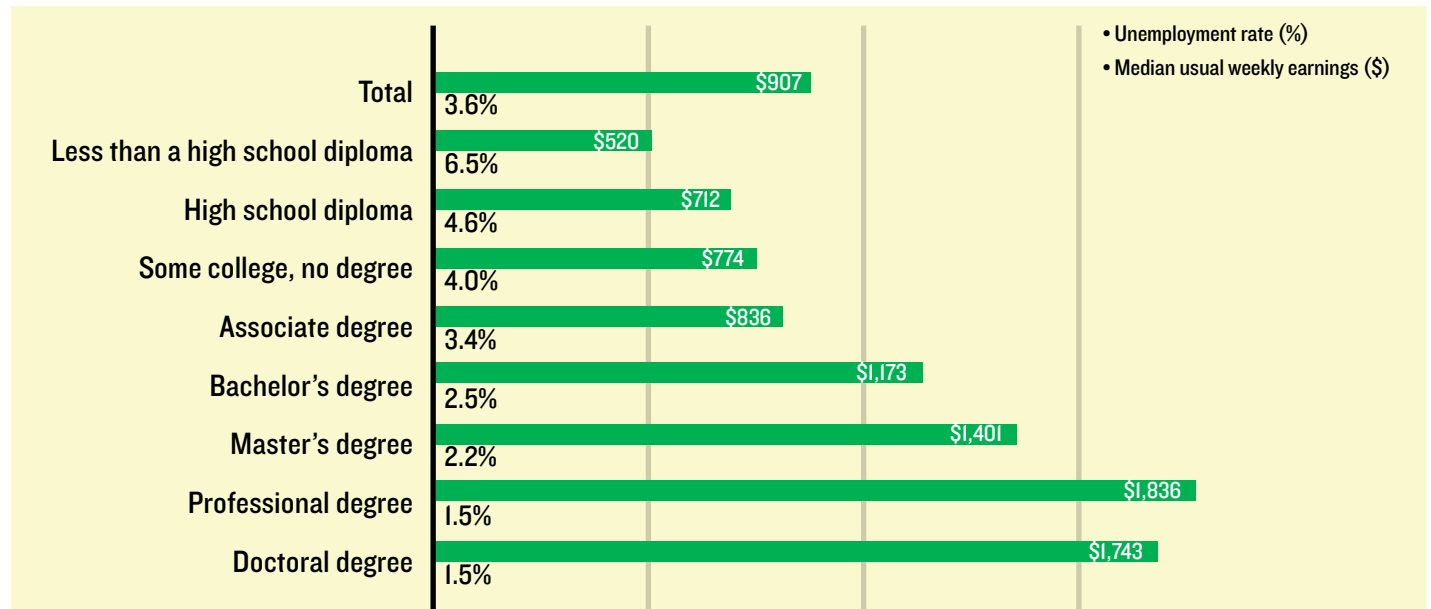
SUMMARIZE/TRANSITION

- *While training and education pay — and in some cases a lot — they cost, too.*

TRAINING AND EDUCATION PAY

More education generally leads to higher earnings. The following chart shows the median weekly earnings in the United States by level of education in 2017.

The chart also shows the **unemployment rate** and earnings by level of education attained.



SOURCE: U.S. Bureau of Labor Statistics. (2018, March 27). *Unemployment rates and earnings by educational attainment, 2017* (Table). Retrieved August 2, 2018, from www.bls.gov/emp/tables/unemployment-earnings-education.htm

KEY ACTIVITY

How Much Does Education Pay?

Using the chart above, answer the following questions.

How much more does a high school graduate make than someone without a high school diploma?

\$192/week (which is nearly \$10,000 per year)

How much more does someone with a bachelor's degree make than someone with a high school diploma? On a yearly basis (hint: multiply the weekly number by 52)?

\$461/week; nearly \$24,000 per year (\$23,972)

What do you notice about level of education attained and the associated unemployment rate?

The more education you get, the less likely you are to be unemployed.

Training and education not only help you earn more money, but also can help you maintain employment.

PRESENTATION (optional)

Training and Education Cost, Too



7

minutes

- Review the costs of education.
- Ensure participants understand the difference between two-year college, four-year public college or university and four-year private, nonprofit college or university.
- Ask participants to share examples of each.
- Review Key Concept: Loans, Grants and Scholarships.



LOANS, GRANTS AND SCHOLARSHIPS

If it must be paid back under any circumstance, it is a loan. You can get federal loans from the federal government, federal loans through your school or private loans from banks or credit unions.

If it never has to be repaid, it is a grant or a scholarship. Grants come in the form of federal aid and state grants. They are generally given to students that have financial need.

There are specific programs for young people who are or have been in foster care. These programs help you pay for postsecondary education or training — the [Chafee Educational and Training Vouchers \(ETV\) Program](#).

Scholarships are like a contest. You are competing against other students to win funding based on your special accomplishments or traits.



Training and Education Cost, Too

Investing in training and education after earning a GED or high school diploma may cost a lot of money. For example:

- + The average annual cost to attend a two-year college while living independently off campus is estimated at \$17,400 per year.
- + The average annual cost to attend a four-year public college or university while living on or off campus independently is estimated at \$24,000 a year.
- + This rises to \$49,000 per year for a four-year private, nonprofit college or university.

These cost estimates assume no financial aid or scholarships. You may have access to resources to help you pay for some of your training or college expenses, so the amount you pay may be less.

Even though there are costs associated with education and training, they are an investment in your future. The time and money you invest will create returns. In this case, the returns are more job opportunities, higher potential earnings, greater protection from unemployment and financial independence.

But, it takes planning to think through balancing the returns on investments in training and education and the costs of getting that training and education as well as choosing and paying for postsecondary education and training.

PRESENTATION (optional) (continued)

Training and Education Cost, Too

- Review Key Concept: Getting Financial Aid.
- Review Key Concept: Chafee ETV + Pell = Potentially a Lot of Money to Pay for Postsecondary Education and Training.
- Review Key Right: Completing the FAFSA.

SUMMARIZE/TRANSITION

- *Education and training are investments in yourself.*
- *Education and training also build your asset-building portfolio. How? They add to your productive assets.*
- *But people can get into trouble if they take on too much debt to cover the costs of training and education or don't complete the training and education.*
- *Balancing the returns of an investment in education and training starts with an understanding of what jobs and careers you may be able to get and what those jobs are likely to pay — when you first start working and as you progress in your career.*
- *Career research **before** you go on for more education or training can help ensure your investment pays off.*



GETTING FINANCIAL AID

According to a recent study by the Institute for College Access and Success, the number-one barrier to higher education is access to “stable and affordable” housing.

Financial aid can be used to cover housing, but many young people do not apply for aid for these reasons:

- The applications are long and confusing.
- They have no support in completing the forms.
- They are not aware of the deadlines to apply or requirements of the aid — minimum GPA or specific courses completed in high school, for example.
- They do not have the documentation required to confirm eligibility for aid — Social Security card, birth certificate and school records, for example.

You can increase success in applying for aid by:

- having an advocate to see you through the entire aid application process;

- finding out from school counselors or other qualified individuals as early as possible the academic requirements for financial aid, which allows you to plan and perform accordingly during high school;
- completing the FASFA and any state-level aid forms as soon as possible — some deadlines are as early as February or March for aid for the following fall; and
- getting documentation in order — birth certificate, ward-of-the-court letters, academic records and transcripts and Social Security card — and putting it in one safe place for easy access during the aid application and enrollment processes.

KEY RIGHT

Completing the FAFSA

The FAFSA asks questions to figure out if you are dependent or independent. If you are independent, your resources — income and assets — are counted differently. In most cases, being considered independent will make you eligible for more aid.

One specific question on the FAFSA is: “At any time since you turned age 13, were both of your parents deceased, were you in foster care or were you a dependent ward of the court?” If you answer “yes,” you will be considered independent even if you are living with a foster family or already 18 years old and not involved in the child welfare system.

Because you are considered independent for the purposes of the FAFSA, you do NOT need parental signatures.

For more information, visit the official FAFSA website: <https://studentaid.ed.gov/sa/fafsa>.

CHAFEE ETV + PELL = POTENTIALLY A LOT OF MONEY TO PAY FOR POSTSECONDARY EDUCATION AND TRAINING

If you have been in foster care, you will likely qualify for both Chafee ETV funds and a Pell Grant for postsecondary training and education expenses. Through the Chafee ETV program, you are eligible for \$5,000 per year for five years until you are 23 if you enroll before you are 21. (Not every eligible young person receives these funds because demand for funds is sometimes greater than funding available.)

Currently, you can receive up to \$6,095 (for the 2018/2019 school year) per year from the Pell Grant Program.

With these two programs, you would have \$11,095 each year to cover a broad range of postsecondary training and education expenses. And because these are grants, you never have to repay them! For more information, visit www.fc2success.org.

PRESENTATION (optional)

Planning Your Career Path



- Review ways to find information on your career path from pages 20–22 in the participant guide.
- Ask participants if they have other ideas for finding out information about possible careers.
- Review the Key Resource: Guidance Counselors and Academic Advisors. If participants are in high school or postsecondary education or training, ask them to fill in the name of their guidance counselor and academic advisor.
- Explain that these individuals are an important social connection for them — part of their asset-building portfolios.
- If they don't know the name or contact information for the individual, ask them to get it before you see them again.
- Encourage them to schedule a meeting to introduce themselves to the individual if they have not.



PLANNING YOUR CAREER PATH

Figuring out whether to finish high school or get more training and education after high school **starts with planning your career path**. Your career path includes the steps you need to take to reach your career goal.

How do you pick your career goal? You can try one of the following:

- **Volunteer for organizations that interest you.** This can give you experience in a field that you think you may want to work in.
- **Work.** If you can get a part-time job, this experience can also help you determine the activities you do and do not like to do on the job.
- **Get an internship.** An internship is an opportunity to work for a business or organization while in school or considering a career. Sometimes these are paid, sometimes they are not. In addition to gaining experience and skills, you may develop important professional contacts and references.
- **Set up informational interviews.** Talk to people who are in the career you envision for yourself.

KEY RESOURCE

GUIDANCE COUNSELORS AND ACADEMIC ADVISORS

Guidance counselors and academic advisors are good people to have in your network. While in high school, guidance counselors can help you with your academic, personal/social and career development needs.

Specifically, they are available to help you:

- take the right courses in high school;
- get registered for tests such as the ACT and SAT exams;
- meet financial aid deadlines during your senior year of high school;
- get your academic records in order before you leave high school; and
- set personal goals and develop plans.

You need to seek these services from the counselors especially if you want one-on-one help.

Name and contact information for guidance counselor:

Once you are in a postsecondary training or education program, you will have access to academic advisors who can help you:

- understand the requirements of your major(s), plan your schedule of classes (so you take the right classes you need in the correct order to complete your certificate or degree);
- explore education and career opportunities;
- get the information and tools needed to track your progress; and
- receive other services you may need.

Name and contact information for academic advisor:

Establishing and maintaining relationships with school guidance counselors and academic advisors can help increase your chances of success as you pursue your training, education and career goals.

PRESENTATION (optional) (continued)

Planning Your Career Path

- Review different ways to access career paths using the information on pages 21 and 22.
- Remind participants that this is just the first step.
- As an example, state:
 - You could go to vocational school and become an auto or aviation mechanic.
 - You could then join the military, which would lead to expanded skills as a mechanic.
 - Using money from the GI bill, you could then go to college for a postsecondary degree.
- Ask participants if they see other career paths.

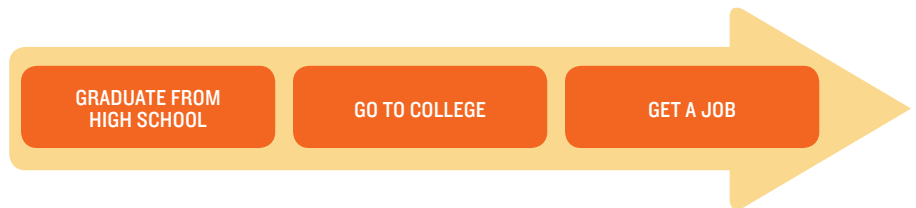
SUMMARIZE/TRANSITION

- *Learning about careers and understanding that there are many paths you can take to careers can open a world of options.*
- *However, it's also important to research careers you think you may be interested in.*

- **Take classes.** While in high school, take classes that interest you. In some states, you can take tuition-free classes at community colleges, public career technical schools or universities while you are in high school. This is called concurrent enrollment. This can help you explore interests and earn college credit at little to no cost.
- **Take interest surveys.** This generally means meeting with your high school, vocational school, community college or university guidance counselor or academic advisor. They often have access to interest and career surveys. These surveys are designed to help to identify careers that best match your interests, skills and values.



People often think of a career path as:



There are many other paths to careers:



Source: Efrid, B. M., & Wiggins, B. S. (2004). *Career development resource guide and user's guide for "career choices in North Carolina."* Raleigh, NC: State Occupational Information Coordinating Committee. Retrieved from <http://digital.ncdcr.gov/cdm/ref/collection/p249901coll22/id/436170>

PRESENTATION (optional) (continued)

Planning Your Career Path



- **On-the-Job Training**

Go to work for a company or business that will train you as you work on the job. Many people who decide not to go postsecondary school gain experience and opportunities for career advancement through on-the-job training.

- **Apprenticeship**

Apprenticeship means working under someone else who is experienced in a field. As an apprentice, you are supervised by a master in the craft, trade or occupational area. The relationship is formal. Generally, as an apprentice, you complete a three- to four-year training program that combines on-the-job training with related technical and educational instruction. Apprenticeships may be available through unions and in the automobile service, construction, general service and manufacturing fields.



- **Public or Private Vocational or Career/Technical School**

Short-term training is available for occupations ranging from cosmetology to welding to computer programming and cyber defense and more at vocational and career/technical schools. Usually there are no special entrance requirements. Costs and length of programs vary. Purchase of special tools may increase costs. Private, for-profit schools are much more costly than public schools.

- **Community College**

Community colleges specialize in providing a wide variety of short-term vocational or technical certificate or degree programs. They tend to work very closely with businesses and industries in the area they serve so they can train people to work in these businesses and industries. You can start at community college and then transfer to a college or university offering a four-year degree.



- **Four-Year College**

Most colleges and universities are four-year colleges. Entrance requirements are based primarily on high school grades and college entrance test scores (ACT or SAT).

- **Military**

The military offers training, pay, room and board and benefits in exchange for service to the country. Ask your military recruiter about the types of training available, qualifications for training, length of commitment required and pay and benefits. High school graduation is required. This may make you eligible for the GI Bill, which will help pay for more training and education after your military service.

BRAINSTORM (optional)

Career Research



7-10
minutes

ASK: *What would you want to know about a job or career before you started working or working toward it?*

- Write participant responses on a flipchart or whiteboard.
- Add to their contributions using information from the participant guide, and be sure to highlight the following:
 - o Will the likely starting wage support basic living expenses? You can find this information using career sites like Indeed. Typical starting as well as median wages are listed for a wide range of jobs.
 - If you find starting wages may not fully support you, consider exploring ways to reduce expenses or identify work supports and public benefits.
 - o What education and other credentials do you need to get a job or advance?
 - o What will the work entail, and do you think you will be able to do this work?
 - o What are the job and advancement opportunities?
 - o What is the overall outlook for the career? Is demand expected to grow or decrease?

Career Research

Learn more about your intended career by doing some research. Often, the focus is on getting into college without thinking about how college education (or some other kind of training) is linked to careers.

A key consideration is figuring out whether your chosen career is likely to support you. With the likely starting wage, will you be able to pay for your basic living expenses?

These include:

- + housing;
- + utilities;
- + food;
- + transportation;
- + health care;
- + emergency savings;
- + student loan payments, if applicable;
- + other debt payments, if applicable; and
- + other expenses that may apply to your situation — child care, for example.

If you find that your likely starting wage is not going to cover your basic living expenses, you can do these things:

- + Research to see if you will at some time in the future be able to earn enough in your given career. Starting wages — what someone is paid in their first job — are often less than what someone could potentially earn. Look at median wages for your chosen career to get an idea of what your earnings potential could be.
- + Determine whether you can reduce any basic expenses.
- + Identify work support benefits that could assist you while you start in your career.
- + Examples include:
 - SNAP benefits;
 - public housing;
 - child care support — this applies only if you have children; and
 - energy assistance programs — you can apply for these to help pay for utilities.

To check what benefits you may be eligible for, visit www.benefits.gov.



CAREER RESEARCH

Career research can help you pick the right training and education. How?

By researching careers, you will understand:

- 1) What is expected of you in terms of knowledge, skills, certifications and other credentials when it comes to working in your chosen field.
- 2) The right training and education path to your career goal.
- 3) The amount of money you can expect to make in your career — starting out and in general.
- 4) The conditions under which you will likely work.
- 5) The different kinds of job opportunities within your career.
- 6) The outlook for your career — are there going to be more or fewer job opportunities in your career?

INDIVIDUAL ACTIVITY (optional)

Wrap Up: Understanding Your Income



- Congratulate participants on finishing up.
- Instruct participants to complete the wrap-up page.
- After 5 minutes, review the answers in a participatory way — ask individuals to shout out their responses.

WRAP UP:

Understanding Your Income

Congratulations on finishing this section of *Keys to Your Financial Future*.

Let's check what you learned:

1. What are examples of where income can come from? (select all that apply)
 - ☒ a. Part-time employment
 - ☒ b. Self-employment
 - ☒ c. Public benefits
 - ☒ d. Gifts
 - ☒ e. Tax refund
2. How you are paid — hourly, salary or under the table, for example — affects how you report income, how you pay taxes and the laws that protect you.
 - ☒ True ☐ False
3. Regular income is harder to budget with. You cannot anticipate the amount of income or when you will get it.
 - ☐ True ☒ False
4. Direct deposit will save you time and money and give you access to your funds right away.
 - ☒ True ☐ False
5. Net pay is the total amount of your paycheck. Gross pay is your net pay minus deductions. Gross pay is what you take home.
 - ☐ True ☒ False
6. If you are employed, your employer will withhold money from your paycheck to pay for taxes. Your employer will also pay half of what you owe for Social Security and Medicare.
 - ☒ True ☐ False
7. Tax credits lower the amount of income you are taxed on. Tax deductions lower the amount of tax you owe.
 - ☐ True ☒ False
8. What are paths to building a career? (select all that apply)
 - ☐ a. On-the-job training
 - ☐ b. Apprenticeships
 - ☐ c. Military
 - ☐ d. Career or technical college
 - ☒ e. All of the above
 - ☐ f. None of the above

CLOSING

Key Information From This Section

- Review the Key Information From This Section.



2
minutes

CLOSING ACTIVITY (optional)

- Ask each person to answer the following question.

ASK: *How do you hope to be earning your income five years from now?*

- Use round-robin technique to solicit answers one at a time from participants.
- Consider writing these on a flipchart or whiteboard.



5
minutes

Key Information From This Section

- ☐ **INCOME** is any money you earn.
- ☐ **WAYS YOU CAN BE PAID** include a salary, hourly wages, contractually or under the table among others. How you are paid affects how you report income, how you pay taxes and the laws that protect you.
- ☐ **YOUR INCOME CAN BE REGULAR** if the amount and timing is the same. Often, income is irregular — when you are paid is unpredictable or the amount changes. Irregular income can make budgeting challenging. If you work seasonally (during part of the year), you may have to save money to get through the months you don't have income.
- ☐ **WHEN IT COMES TO RECEIVING A PAYCHECK**, you can get your pay via a paper paycheck, direct deposit or payroll card. Each has benefits as well as costs or risks.
- ☐ **REVIEW YOUR CHECK STUB**. It has a lot of information on it, and you can ensure you are being paid correctly.
- ☐ **YOU PAY INCOME TAXES** on the income you earn every year. If you are employed, your employer will withhold income to pay for your income taxes. You can tell the employer how much to withhold when you complete the W-4 form. The more exemptions you claim, the less income will be held for taxes. Your paycheck is bigger, but you may owe more income tax than was withheld from your pay on April 15. This means you send money to the IRS.
- ☐ **LEARN ABOUT DEDUCTIONS AND CREDITS** you may be eligible for. Deductions lower your taxable income. Credits lower the amount of taxes you must pay.
- ☐ **GET FREE HELP TO COMPLETE YOUR TAXES** in your community using a Volunteer Income Tax Assistance program. Avoid using commercial tax preparers and refund anticipation loans. You will end up paying a lot of your hard-earned money.
- ☐ **YOUR INCOME IS RELATED TO YOUR CAREER**. The more training and education you have following high school, the higher your earnings potential and the less likely you are to become unemployed.
- ☐ **THERE ARE MANY DIFFERENT PATHS** to starting and building a career.



ABOUT THE ANNIE E. CASEY FOUNDATION

The Annie E. Casey Foundation is a private philanthropy that creates a brighter future for the nation's children by developing solutions to strengthen families, build paths to economic opportunity and transform struggling communities into safer and healthier places to live, work and grow.

For more information, visit www.aecf.org.

ABOUT THE JIM CASEY YOUTH OPPORTUNITIES INITIATIVE

A unit of the Casey Foundation, the Jim Casey Youth Opportunities Initiative® works to improve outcomes for all young people in the United States ages 14 to 26 who have spent at least one day in foster care after their 14th birthday — a population of nearly 1 million.

Working with 17 sites across the country, the Jim Casey Initiative influences policy and practices to improve outcomes for teenagers and young adults who have experienced foster care as they transition to adulthood.